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NATIONAL INTELLIGENCE DAILY CABLEMonday April 4, 1977 CG NIDC 77-077C**NATIONAL SECURITY INFORMATION**

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National Intelligence Daily Cable for Monday, April 4, 1977.

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## PANAMA: Canal Negotiations

25X1 [ ] //Contradictory signals continue to come from Panama concerning its position on canal negotiations. The Panamanians are sending some clear public signals of flexibility--perhaps in part to counter what they see as a US campaign to cast Panama as inflexible. At the same time, recent domestic and foreign policy initiatives by Chief of Government Torrijos suggest continued tough bargaining. On balance, the Panamanians are likely to demand--as they did in the February negotiating round--a high price for any flexibility.//

25X1 [ ] //An unnamed prominent Panamanian official--almost certainly chief negotiator Escobar--told the press on Wednesday that Panama is now willing to sign an agreement with the US guaranteeing the neutrality of the canal. This suggests an important breakthrough on this major point.//

25X1 [ ] //Torrijos, moreover, has shown some caution in his initial dealings with the Carter administration. A US press item in March misquoting US canal negotiator Linowitz as saying the US would be in Panama "in perpetuity" received a relatively low-key response from both Torrijos and his chief negotiator when it could easily have touched off a major furor. Panama's reaction to the unilateral release by the US of assurances for Canal Zone workers under a new treaty was also reasonably moderate.//

25X1 [ ] //On the other hand, Escobar has publicly suggested the possibility that the canal administration might revert to Panama in 1990--a proposal that has been forcefully rejected by the US. By saying this, Escobar is making it more difficult for Panama to back away from this proposal. His mention of the 1990 date so close to the public signal of compromise suggests the Panamanians may continue to insist on a tradeoff, and they certainly will push for major US concessions on returning territory now under canal zone administration.//

25X1 [ ] //Even relatively moderate Panamanians like treaty negotiator Lopez Guevara and Minister of Agriculture Paredes recently have been making uncharacteristically hard-line statements about the treaty talks and Panamanian willingness to pay "a quota of blood" to obtain justice from the US. The controlled

media, no longer strongly pushing the theme that 1977 must be the "year of the treaty," have warned that US tactics are designed to weaken Panamanian resolve and may result in protracted talks.//

25X1 [ ] //Torrijos is apparently planning to try to increase international pressure on the US--as evidenced by the Panamanians' introduction of a political resolution on the canal at the UN water conference last month.//

25X1 [ ] //Torrijos also has recently undertaken foreign policy initiatives that could provide him with psychological and financial boosts. Following the visit of a high-level delegation to Libya in early March, Torrijos announced that he will himself travel to Libya in mid-April. Torrijos is apparently considering making the visit a major propaganda show--he will be accompanied by a 50-man delegation.//

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[REDACTED] //On the Latin American front, where Torrijos has been sensitive to any weakening of support, two recent developments will probably strengthen his confidence. Chile, which had been cool to Panamanian requests for support on the canal issue, has reversed itself in reaction to the US position on the human rights question as well as Panamanian urging. [REDACTED]

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[REDACTED] //Several of Torrijos' domestic actions already suggest that Panama is prepared to see the negotiations stretch out through this year, if necessary. If he receives significant financial aid, he will be further inclined to push for substantial US compromises in the treaty talks. [REDACTED]

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ZAIRE: Situation Report

25X1 [ ] //In the absence of any significant change over the past few days in the military situation in southern Zaire, President Mobutu's regime in Kinshasa is resorting to publicity stunts in an effort to counteract the decline in popular confidence in the army and the government.//

25X1 [ ] Yesterday, a mass meeting in Kinshasa to show popular support for the army's efforts to repel the Katangan invaders fizzled badly. The rally had been billed as the biggest demonstration in Kinshasa's history, but a 40,000-capacity stadium was less than half filled. Mobutu did not make an appearance, and an hour-long oration by a municipal official drew only mild applause.

25X1 [ ] //On the other hand, rumored counter-demonstrations did not materialize, suggesting that popular discontent with the Mobutu government remains unorganized.//

25X1 [ ] //On Saturday, the general who had been relieved of his command of government forces in Shaba because of his poor performance told newsmen in Kinshasa that his troops had killed Soviets, Cubans, and Portuguese who were helping the Katangans. This--the most exaggerated version yet of Zairian allegations that foreign troops are participating in the incursions--was put forward to justify the army's failure to stop the invaders, and also to support Mobutu's official appeals for foreign aid. Mobutu, moreover, may have reasoned that he had to allow the general to make a public appearance to quiet widespread rumors that the general had been murdered by his own troops.// [ ]

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#### East - West Germany: Relations

25X1 [ ] Chancellor Schmidt and party leader Honecker may be seeking to impart new momentum to inter-German relations, which have been on the decline since last December.

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25X1 [ ] An increase in high-level contact is possible, but on the other hand we have seen no evidence that negotiators from the two sides have made significant progress on outstanding bilateral issues in recent weeks.

25X1 [ ] In the past, the two leaders have taken matters into their own hands and arranged compromises. They last did this in December 1975 when they agreed on a package deal to improve transit routes, especially with regard to West Berlin.

25X1 [ ] Schmidt has been eager to make another package deal concerning West Berlin and seems prepared to give as much as



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\$80 million to the East Germans for various development projects. Bonn hopes that such an agreement will induce East Berlin to be more flexible on related issues. Schmidt, for example, would like to start negotiations on the construction of a new Hamburg - West Berlin autobahn this year rather than in 1978 as originally scheduled.

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[REDACTED] During Honecker's tour of a West German exhibit at the Leipzig Fair last month, he stated that political differences should not impair the development of economic relations. He also remarked that the political situation was not as gloomy as depicted by the West German media. If good sense and good will were present, Honecker said, political and economic relations could develop further. [REDACTED]

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KENYA: Kenyatta's Health

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[REDACTED] //Elections for senior positions in Kenya's ruling party, scheduled to be held yesterday, have been postponed indefinitely, apparently because President Kenyatta's continuing poor health prevented him from presiding over the session.//

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[REDACTED] //Party leaders hope Kenyatta will soon recover sufficiently to preside over the elections. Although rival party factions have shown no signs of acting outside constitutional limits, the postponement will touch off rumors about the health of the 85-year-old President and intensify maneuvering among contenders for leadership.//

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[REDACTED] //For the time being, all factions will probably take advantage of the postponement to try to improve their positions by wooing party delegates and pressing opponents to

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withdraw. A prolonged postponement would increase chances that the politicking could get out of hand, especially if Kenyatta should die before elections are held.//

25X1 [redacted] //Elections for senior party positions, many of which have long been vacant, would mark the culmination of a year-long revitalization of the country's only political party. The elections would enhance the prospects for a smooth transfer of power after Kenyatta dies by establishing a party mechanism for selecting a successor.//

25X1 [redacted] //Should Kenyatta remain unable to preside over the voting within the next month or so, party leaders, fearing he may die before elections can be held, may go ahead and hold them anyway. The leaders realize, however, that chances for untroubled elections would be diminished without Kenyatta in attendance. In addition to restraining factionalism and tribal bickering, Kenyatta would confer a maximum amount of legitimacy on the process. [redacted]

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# JAPAN: Soviet Fisheries Dispute

25X1 [ ] The tough demands of the USSR in its current fisheries negotiations with Japan have prompted a flare-up of anti-Soviet sentiment in Tokyo.

25X1 [ ] A highly publicized anti-Soviet rally was held in Tokyo last week. The Japanese media have vigorously protested Soviet "hegemony diplomacy," and all the opposition parties--including the communists--have endorsed the Fukuda government's resistance to Moscow's proposals. A visit to Moscow by Japan's chief cabinet secretary, who was to carry a letter from Prime Minister Fukuda proposing further talks on the fisheries problem, was postponed this past weekend, according to the Japanese, because of Soviet refusal to issue the necessary visa.

25X1 [ ] The Russians insist that, if the Japanese want to discuss fishing quotas within Moscow's recently declared 200-mile fishing zone, Tokyo must first explicitly affirm Soviet sovereignty over the disputed northern islands and allow the Soviets to fish within Japan's soon to be established 12-mile limit.

25X1 [ ] Some Japanese observers believe Moscow's tough stance may be in response to Tokyo's handling of the MIG-25 incident last year. Soviet economic motives, however, are probably more important. The Soviets may be taking a hard initial position in order to lay the groundwork for an agreement that will be as favorable as possible to the USSR.

25X1 [ ] The Soviets have been hard hit by the proliferation of 200-mile fishing zones. Restrictions on fishing within the zones recently established by the US, Canada, the EC, and others could reduce the Soviet catch by one quarter or more unless new fishing grounds are found. Fish provide roughly 15 percent of the animal protein in the average Soviet diet, more than in any other developed country except Japan and the Scandinavian nations.

25X1 [ ] Soviet fishing grounds, for their part, are extremely valuable to the Japanese. Last year the Japanese caught 12 percent of their total catch within 200 miles of the Soviet Union. Over half of the animal protein consumed by the Japanese comes from fish; Tokyo has committed itself publicly to ensuring an adequate supply for domestic consumption.

[ ] Fukuda has set in train plans for Japan to declare a 200-mile fishing zone of its own. The Japanese probably have few other options. The US embassy in Tokyo reports that the Japanese appear to believe that, if challenged, their coast guard would be hard pressed to keep Soviet trawlers out of Tokyo's proposed 12-mile limit, and that Japan would have to rely on the international courts to back their claims. [ ]

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INDONESIA: Good Payments Prospects

[ ] Indonesia's balance-of-payments position will be fairly strong for the next several years, despite debt problems and weakened incentives for oil exploration.

[ ] Our analysis suggests that slower growth in oil production is more likely than a decline, and that foreign-exchange earnings will be sufficient to cover debt service and a substantial increase in imports through 1980.

[ ] Indonesia's balance of payments greatly improved in 1976. Exports rose 16 percent, reflecting higher quantities and prices for oil sales and economic recovery abroad. At the same time, renegotiations of the debt of the state oil company, Pertamina, sharply cut amortization obligations.

[ ] Imports were held to a 6-percent growth by restrictive monetary and fiscal policies as well as by the residual impact on investor confidence of the problem that arose in 1975 when Pertamina was unable to pay its debts. Foreign exchange reserves more than doubled to \$1.5 billion.

[ ] In 1976, government demands for a larger share of foreign oil company revenues substantially reduced cost recovery allowances and profit margins for foreign oil contract operations. Payments to the government were made retroactive to January 1, 1976, bringing a \$640-million increase in revenues to Jakarta for the year.

[ ] Reduced cash flow and the burden of retroactive payments led the contractors to cut back on expensive exploration

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operations and to concentrate on development of proven oil reserves. Fearing that future production was endangered, the government recently proposed measures to induce the companies to resume large-scale exploration, but no new revenue-sharing formula has yet been adopted.

Continuing development of known reserves will enable crude output to reach 1.9 million barrels per day in 1980, compared with the present 1.6 million. Exports of liquefied natural gas, which should start this year, will become a significant source of foreign exchange. Oil and liquefied natural gas exports together are likely to rise from \$6.7 billion in 1976 to about \$9.9 billion in 1980.

Government oil revenues should rise from \$3.3 billion to \$5.5 billion. Non-oil earnings will be boosted by expected price rises for timber, rubber, and tin, and should nearly double in the coming four years. Nickel exports will rise sharply next year as new facilities begin production.

Net service payments will rise at an estimated average annual rate of more than 14 percent between 1977 and 1980. A large part of the increase will stem from rapidly rising profit repatriation.

Multilateral and bilateral aid flows will continue on roughly the present scale. If official aid should diminish, Indonesia probably could increase borrowing from foreign commercial sources.

The expected large increase in foreign exchange earnings should enable Indonesia to boost imports rapidly, especially after 1977, while maintaining a healthy foreign exchange reserve level.

#### BULGARIA-ROMANIA: Nuclear Reactors and Earthquake

Bulgarian and Romanian nuclear reactors continued to operate normally after the earthquake of March 4, which registered 7.2 on the Richter scale and caused widespread damage in both countries. This is the first time that nuclear reactors have been involved in a severe earthquake.

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[ ] None of the reactors--two Bulgarian power reactors and a Romanian research reactor--was located near the quake's epicenter in Romania, but because of the depth and strength of the earthquake there was significant damage to other facilities near the reactor sites.

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[ ] The Romanian reactor, located outside Bucharest, is an open-pool reactor commonly used in nuclear research. The two Bulgarian reactors, located at Kozloduy, are pressurized-water reactors. The USSR supplied all three reactors.

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[ ] //The ability of reactors to withstand earthquakes has become a matter of increasing concern because so many are now in various stages of construction around the world. Although a typical Soviet nuclear power station does not include special seismic design features, the reactors are inherently resistant to seismic effects.//

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[ ] //The Soviets use vast amounts of concrete and heavily reinforced structural steel to build their reactors and firmly anchor them on bedrock. They assert that the type of materials used and conservative construction design allow the reactors to be shut down safely during a local earthquake of 3.7 to 4.3 on the Richter scale.//

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[ ] //Only one Soviet nuclear power station has been designed especially for operation in a highly seismic region. The Yerevan nuclear power station in Armenia includes special shock absorbing features, damping devices, and a specially reinforced concrete foundation to mitigate the dangers of earthquake damage. The Soviets assert that the Yerevan reactor is designed to withstand local earthquakes rated as high as 6.2 to 6.7 on the Richter scale.//

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NETHERLANDS: Caretaker Government

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[ ] Until the Dutch national election this May, Prime Minister den Uyl's caretaker government will be preoccupied with political issues arising from its premature resignation last month. There is little indication that foreign policy will be affected.

- 25X1 [ ] Caretaker governments in the Netherlands have had limited domestic strength in the past, and den Uyl will have great difficulty obtaining passage of controversial socialist legislation important to his Labor Party. Although early readings give den Uyl a good chance of remaining in office after the election on May 25, recent opinion polls suggest that the Christian Democrats could control the next government.
- 25X1 [ ] The Christian Democrats were the most important of the four parties that were aligned with Labor in the coalition government. They probably would force Labor to accept a watered-down version of its program.
- 25X1 [ ] Den Uyl's recent active role in foreign policy will improve his stature as a statesman and help to obscure his inability to push through key Labor legislation at home. This will give him added weight in the coalition bargaining that will follow the election and should help to ensure his retention of the Prime Ministry if Labor remains in the government.
- 25X1 [ ] Coalition governments are a fact of life in the Netherlands. Fourteen parties acquired enough votes in the 1972 election to gain at least one seat in the current parliament. More than 70 political parties have so far registered for the May election. Only three, however, can be considered mass parties--the socialist Labor Party, the centrist Christian Democratic Appeal, and the rightist Liberal Party.
- 25X1 [ ] The Christian Democratic Appeal is the largest party--and the one with the greatest internal problems. The party is a recent union of Protestant and Catholic parties.
- 25X1 [ ] The Christian Democrats' leader, Justice Minister Dries van Agt, alienated important factions of the party when he almost single-handedly brought down the den Uyl government last month. The cabinet was split temporarily over a land reform bill that was not supported by the Christian Democrats. Van Agt, vacillating first toward support of the bill and then toward support of his party's position, managed to anger both sides.



(C) Finally, Van Agt resigned from the government, and in the interest of party solidarity the other Christian Democratic ministers followed. Van Agt's performance, coupled with bad publicity he has consistently received during the past year, could jeopardize the unity of the party.

(C) The Christian Democrats will be reluctant to replace van Agt as their leader, however, since he still has a popular following among those who see him as a man of principle. Finding a successor, moreover, could create further internal tension. On the other hand, Labor may refuse to enter a coalition with the Christian Democrats if van Agt remains.

(C) Most Christian Democratic and Labor politicians apparently favor forming another center-left coalition. If the Christian Democrats hold together, recent polls indicate their party should be the senior partner after the election, but one of the Labor conditions for joining probably would be the retention of den Uyl as prime minister.

(C) A minority group in the Christian Democratic Appeal favors a center-right coalition, and this possibility has been strengthened by the friction between members of the current coalition. The Liberal Party is anxious to get back into the government and would be willing to join a center-right grouping. Liberals and Christian Democrats will be competing for some of the same votes, however, and wounds inflicted during the campaign will tend to reduce support for such a coalition.

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#### USSR-TUNISIA: Port Facilities

[ ] Tunisia has refused a Soviet request for more Soviet naval ship visits to Tunisian ports, according to senior Tunisian defense officials. They say Admiral Gorshkov, the commander in chief of the Soviet navy, sought permission for increased port calls by Soviet naval ships operating in the Mediterranean during his six-day visit in Tunisia last month.

[ ] The Soviet navy makes about six port visits to Tunisia each year. The Tunisians say these calls last about ten days each [ ]

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[REDACTED] The Tunisians said they told Gorshkov that the present number of visits was about right but that each visit was too long. They noted that visits by US naval ships are for five days or less.

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[REDACTED] The Tunisian officials observed that Gorshkov seemed preoccupied with the Soviets' limited port visits around the Mediterranean and brought the subject up frequently during his visit.

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[REDACTED] The Soviets lost their access to the port and industrial repair facilities at Alexandria, Egypt, about a year ago. This complicated logistics for their naval operations in the Mediterranean by making them more time-consuming, expensive, and inconvenient. [REDACTED]

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